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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

NOVEMBER 16, 1938

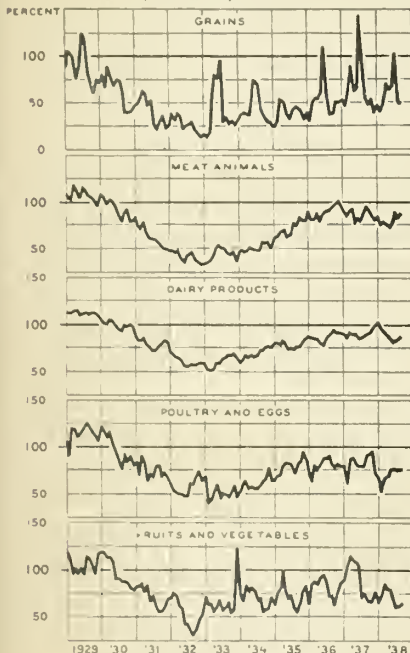
INCOME AND RELATED STATISTICS

MEASURES RELATING TO DEMAND FOR FARM PRODUCTS

FOREIGN TRADE AND RELATED STATISTICS

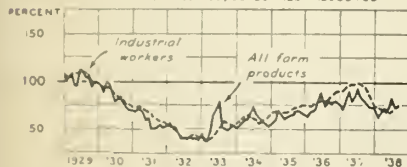
CASH INCOME FROM SALES OF FARM PRODUCTS

INDEX NUMBERS (1924-25=100) SEASONALLY ADJUSTED



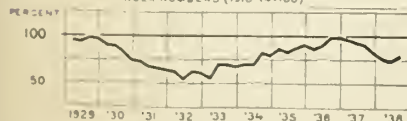
CASH FARM INCOME AND INCOME OF INDUSTRIAL WORKERS

INDEX NUMBERS (1924-25=100) SEASONALLY ADJUSTED



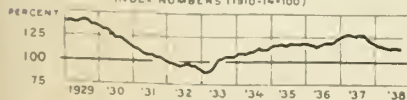
RATIO OF PRICES RECEIVED TO PRICES PAID BY FARMERS

INDEX NUMBERS (1910-14=100)



WHOLESALE PRICES OF ALL COMMODITIES, U.S.

INDEX NUMBERS (1910-14=100)



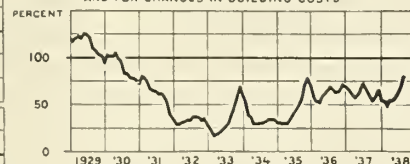
INDUSTRIAL PRODUCTION, U.S.

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



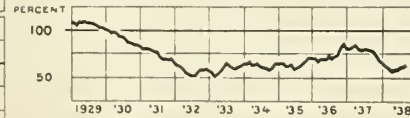
BUILDING CONTRACTS AWARDED, U.S.

INDEX NUMBERS (1923-25=100) ADJUSTED SEASONALLY AND FOR CHANGES IN BUILDING COSTS



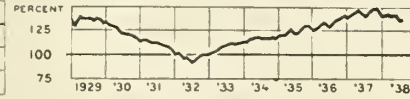
FREIGHT CAR LOADINGS, U.S.

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



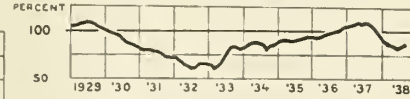
FOREIGN INDUSTRIAL PRODUCTION

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED

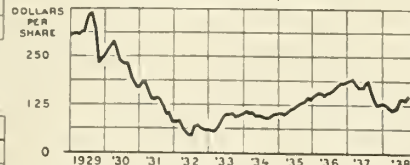


FACTORY EMPLOYMENT, U.S.

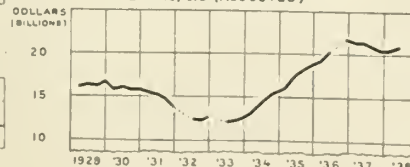
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



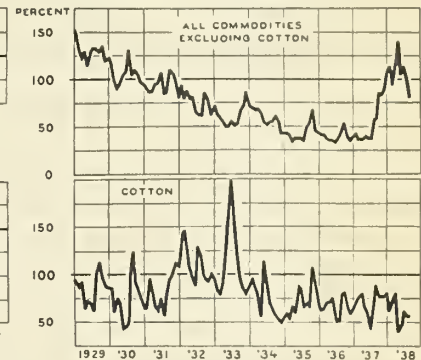
INDUSTRIAL STOCKS: AVERAGE PRICE BASED ON 30 STOCKS, U.S.



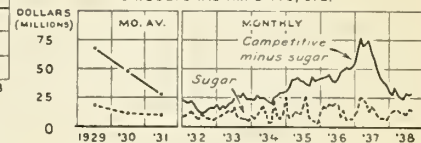
DEMAND DEPOSITS OF ALL MEMBER BANKS, U.S. (ADJUSTED)



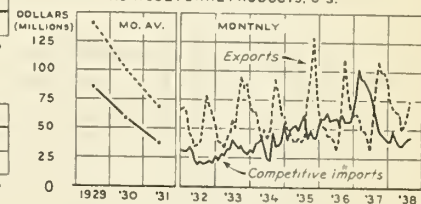
VOLUME OF AGRICULTURAL EXPORTS, U.S. INDEX NUMBERS (JULY 1909-JUNE 1914=100) SEASONALLY ADJUSTED



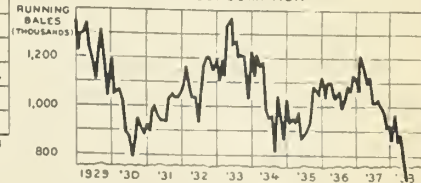
VALUE OF COMPETITIVE AGRICULTURAL IMPORTS, U.S.



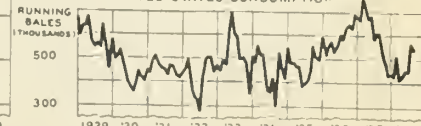
VALUE OF FOREIGN TRADE IN AGRICULTURAL PRODUCTS, U.S.



COTTON, AMERICAN: WORLD CONSUMPTION



COTTON, ALL KINDS: UNITED STATES CONSUMPTION



This month's issue of the Demand and Price Situation consists mainly of brief summaries of the annual outlook reports for demand and the several commodities, issued this fall by the Bureau of Agricultural Economics. Additional material has been added in most cases to bring the monthly situation up to date.

DOMESTIC DEMAND

The domestic demand for farm products is expected to be considerably better in 1939 than in 1938, as a result of an increase in the purchasing power of consumers of farm products in the United States. Larger industrial production will be reflected in increased employment, expanded factory payrolls, and a general increase in the national income.

Important industries in favorable position

The improvement in industrial activity is expected to come mainly from a higher level of output of automobiles, building, steel, textiles and miscellaneous consumers' goods. Prospects for each of these lines of industrial production appear to be more favorable than they were a year ago.

At the beginning of the selling season for 1939-model automobiles the situation is much more favorable than a year earlier. Stocks of new cars have been reduced and the used car inventory situation also is greatly improved. Changes in styling are more pronounced, there have been some price reductions, and general business improvement will add to the purchasing power and confidence of potential buyers. Reduced output in 1938 has added to the number of potential new car purchasers. These developments make the outlook for automobiles in 1939 considerably better than it was for 1938.

Although there was a drop in total building activity from 1937 to 1938, the volume of residential building actually increased during most of the year, and for the year as a whole was larger than in 1937. Building interests seem to be devoting much more attention to the relatively large market for medium- and lower-priced homes than in other recent years. These and other indications point to a continuance of the pickup in residential building through 1939, and there will also be a considerable increase in public construction. Even with non-residential private building remaining at a low level, at least a moderate rise in the total volume of building construction in 1939 over 1938 appears probable.

The drastic reduction in output of iron and steel in the fall of 1937 and the first half of 1938 directly contributed more than any other single item to the sharp decline in industrial production. This decrease in steel production reflected partly the reduced output of finished products made from steel, but also in considerable degree the using up by manufacturers of their inventories of steel and steel parts. For example, automobile manufacturers were able to operate for practically the entire 1938-model year without making significant new purchases of steel, and many smaller

users of steel were in somewhat similar positions. In view of the great reduction of steel inventories which must have taken place during 1937-38, the prospects for increased requirements for 1939 automobiles, the general pickup which is in prospect for the output of miscellaneous steel products, and increased requirements for building construction and ship building, the average rate of production of steel in 1939 should be considerably higher than in 1938.

During most of 1937 the production of textiles, like that of many other commodities, apparently was considerably in excess of current consumption, leading to increases in inventories. In 1938 the contrary has been true. In the first 9 months of this year textile production apparently was considerably less than wholesale and retail sales, and in the early fall stocks outside of manufacturers' hands were considerably lower than at the end of 1937. In view of this more favorable inventory situation and the expected improvement in consumer incomes, the general textile production situation should be materially better in 1939 than in 1938 as a whole.

A number of other miscellaneous lines of consumers' goods also are expected to contribute to the recovery of industrial activity. Sales of many products to consumers during the recession have been at a considerably greater rate than manufacturers' output, and some reduction in inventories must have occurred. In some lines of durable consumers' goods, such as electric household equipment and furniture, sales were off greatly in the first half of 1938, but are picking up some in the latter half of the year. Many potential consumers have been paying off installments on articles of this kind bought previously, and those whose incomes have not been seriously reduced will be in a better position to purchase such goods on credit in 1939 than they were in 1938. Taking all of these indications into account, it seems probable that the output of miscellaneous consumers' goods will show a material increase in 1939 over 1938.

There are a number of industries, however, in which conditions are not as favorable as in those discussed above. This is particularly true of those industries making producers' goods, sometimes called capital goods, or products which are used for the expansion and rehabilitation of industrial plants and equipment. Expansion or contraction of producers' goods depends upon the prospects for business profits, the availability of investment funds, the relation between the capacity and prospective output of existing facilities, and relative costs with old and new equipment. Relatively unfavorable conditions exist in several industries which in the past have been important contributors to expansion in capital goods, including the railroads and utilities. Nevertheless, the latter industries should be responsible for some expansion in capital expenditures in 1939. The relation between prospective industrial output and capacity in other lines of industry is not such as to lead to any early large expansion in new industrial construction, although lower costs with new equipment may result in a considerable volume of replacements. There will be a substantial increase in the volume of public construction.

General economic conditions favorable to recovery

General economic conditions in the United States are favorable to the recovery indicated by conditions in the particular industries mentioned.

Increased net contributions of the Federal Government to total purchasing power will serve as an important stimulus to business in 1939. Bank reserves and deposits have been built up to high levels during the past year, as contrasted with the drastic credit contraction in some other recessions. An exception to the generally favorable economic situation is the relative weakness in some important commodity prices, due in considerable degree to unfavorable supply situations, but this is not expected to offset the influence of other conditions contributing to recovery.

Taking into account these general economic conditions, as well as the conditions existing in the more important individual industries, it appears that only the development of new factors in the situation can prevent the general level of industrial activity in 1939 from being considerably higher than in 1938. However, the large volume of advance buying and the enlargement of inventories which contributed to the high output of consumers' goods in 1936-37 is not likely to be present in the same degree in 1939, and the producers' goods industries cannot be expected to show as much activity following so soon after a severe slump. Hence, the improvement in 1939 is hardly likely to carry the average level of industrial activity for the year back to the high level which prevailed before the recession. The absence of excessive speculative elements in the situation, however, should contribute to a more sustained recovery in 1939 than in some other years such as 1933.

Consumer incomes up less than industrial activity.

Changes in national income tend to lag slightly behind, and to be less marked than, changes in industrial activity. If these relationships continue to prevail in this recovery, the indicated improvement in business activity might be expected to result in a percentage increase in national income from 1938 to 1939 considerably less than that for industrial production. The purchasing power of the lower income groups of consumers, however, should rise faster than total income as a result of increases in employment and hours per worker.

Foreign Competition and Demand

Foreign conditions which influence the exports and prices of United States farm products are expected to be somewhat less favorable in 1939 than in 1938. This conclusion is based upon a consideration of: (1) general economic conditions and purchasing power in those foreign countries which take the greater part of our agricultural export commodities; (2) foreign production and supplies of commodities competitive with our agricultural exports, both in those importing countries and in other foreign producing countries; and (3) foreign barriers to trade in our agricultural export commodities.

The recession in economic activity which has been under way since last fall in those important foreign industrial countries which are still able to import large amounts of our farm products appears to be leveling off, although some further decrease may occur. These countries probably will show some improvement before the end of 1939 as a result of the anticipated recovery in the United States.

The decline in industrial activity in the United Kingdom seems to have been halted. The index of industrial production in Canada has turned up slightly and may be expected to continue as industrial production in the United States rises. The outlook for industrial activity in France is extremely uncertain. Factors tending toward a further industrial decline in this group of countries, which are important markets for our agricultural exports, include the low purchasing power of the raw-material exporting countries, the continuation of military operations in the Orient, and the flight of capital from western Europe to the United States. In spite of these factors, it is possible that the anticipated improvement in United States economic conditions, through its influence on conditions in raw-material producing countries, will reverse the downward movement during the coming year.

Imports of foreign countries have become less dependent than formerly on general internal demand conditions because of the greatly increased control being exercised over all economic activity by most foreign governments. This is especially true in Japan and Germany where conditions are now under practically complete Government control. The ordinary indications of future demand are of little value in appraising the outlook in these countries. Although industrial production has been advancing, consumer standards of living have not risen proportionately. Final consumption of all types is being reduced both by artificially created scarcity and by official campaigns identifying frugal living with patriotism. The limited exchange available for raw material imports is being rationed as between industries. Regardless of cost, purchases of required imports are made as far as possible in countries with which military or political alliances have been formed or are sought. Under these circumstances, it is very unlikely that we shall be able to regain during the coming year the markets which we have lost in these countries.

The situation in regard to competitive supplies of agricultural products in foreign countries this year is less favorable than last year for most of our export commodities, including grains, cotton, and tobacco. Large foreign crops will result in large stocks being carried over into the next season. Fruit is a conspicuous exception, so far as the first part of 1939 is concerned. Frosts throughout most of Europe this spring resulted in a very small fruit crop abroad.

WHOLESALE PRICES

The level of wholesale prices in the United States probably will average somewhat higher in 1939 than in 1938. Higher prices of raw materials are likely to more than offset possible lower prices of some manufactured goods. A slight rise in prices of farm products as a whole may occur.

Prices of all major groups of commodities have declined 12 percent since September 1937, to 77 percent of the 1926 average in early November this year. Prices have declined most for farm products, feeds, hides and leather, and textiles; and have declined least for fuel and lighting materials, and metals and metal products.

Higher prices than in 1938 are probable for raw materials, building materials, clothing, several crops, and some other products. The decline in prices of building materials in the last year appears to have been halted. Prospects for an improvement in residential building and increased public works construction, along with reduced inventories and anticipated increases in production costs, are expected to result in some increase in prices of building materials in the coming year.

Lower prices seem likely in the coming year for some iron and steel products, and some livestock and foods. The general reduction in steel prices in 1938 should permit lower prices of some finished steel and iron products. Prices of 1939 model automobiles are about 5 percent lower than 1938 models. The sharp curtailment in sales of farm machinery in 1938 following the marked increase in prices since 1933 and the reduction of buying power of farmers in 1938 have led to reports in trade circles that reductions in some farm machinery prices are probable. Moreover, smaller tractors and combines are being placed on the market at prices much below those that have recently prevailed for larger sizes of these machines. Declines in prices of these various products, however are expected to be more than offset by increases in prices of other products and to result in a somewhat higher level of wholesale prices in 1939 than in 1938.

During 1938 the value of the dollar has risen in terms of the currencies of France, China, Mexico, several South American countries, and more recently in relation to the English pound and certain other currencies. The decline in the value of these foreign currencies will tend to increase prices of our products to foreign importers in terms of their moneys. Further depreciation in foreign currencies would tend to increase foreign wholesale prices. However, unless there is a pickup in foreign industrial production or substantial further declines in foreign exchange rates, there seems little likelihood of any general increases in wholesale prices in the major foreign countries.

The general level of wholesale prices in the major foreign countries, like the trend of prices in the United States, has been relatively stable in the first 9 months of 1938. The combined index of wholesale prices in nine foreign countries that have a considerable influence on the foreign demand for our farm products has fluctuated little since March 1937, although the trend in 1938 has been slightly downward.

Prices in different countries have shown conflicting tendencies in 1938. Wholesale prices in England, Canada, Belgium, Poland, and the Netherlands, have been gradually weakening since January, whereas prices in France and Japan reached their 1938 high points in early summer, fluctuating slightly thereafter. Prices in Italy and Germany, according to the official indexes, have been relatively stable in 1938.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers in the United States has declined sharply from the high point reached in January 1937, as a result of the substantial decrease in consumer purchasing power and increases in supplies of some important commodities. The index of farm prices declined 27

points in 1937 and another 12 points in the first half of 1938. By May 1938, this index was down to 92 percent of the pre-war level. Although all groups of farm products shared in this downward trend, the decline was most pronounced in prices of crops, especially grains and cotton, and less pronounced in prices of livestock and livestock products. In the coming year this trend is likely to be reversed, with an improvement in crop prices relative to livestock prices. Higher prices for some crops are expected to more than offset any declines that may occur for livestock, and to result in some increase in the general level of farm prices in 1939.

By October the general level of farm prices had risen to 95 percent of pre-war. Market prices indicate a further moderate advance in mid-November, with increases in prices of cotton, apples, potatoes, dairy products and eggs more than offsetting declines in prices of corn, hogs, and some other products.

Prices paid by farmers for commodities have declined 13 points since June 1937, to 121 percent of the pre-war level in October 1938. The greatest declines have occurred in prices of feeds and foods -- the two most important groups of commodities purchased by farmers -- and in seed prices. Prices of clothing, building materials, furniture and furnishings declined moderately, whereas prices of fertilizers, equipment and supplies were practically unchanged. Those of farm machinery and automobiles increased. These prices and prices of some foods may be lower in the coming year, but increases from present levels are likely in prices of building materials and some clothing items.

The ratio of prices received to prices paid by farmers declined a little further in the first 6 months of 1938, after a sharp decline in 1937. Since June some recovery has occurred, and prices received by farmers are likely to increase sufficiently to bring about some further increase above the present level in the ratio of prices received to prices paid.

FARM INCOME

With considerable improvement in industrial activity and national income in prospect, it is probable that cash income from farm marketings will be appreciably higher in 1939 than in 1938. Income from Government payments in 1939 also is expected to exceed that in 1938.

Farm income reduced in 1938

The income of farmers from marketings of farm products and from Government payments has been estimated at about \$7,500,000,000 for the calendar year 1938, compared with \$8,600,000,000 for 1937. This 1938 income is about 13 percent lower than that of 1937 and 6 percent smaller than in 1936. But it is higher than in any year between 1930 and 1936.

The decline in income from farm marketings in 1938 is more pronounced in the case of crops than it is in the case of livestock and livestock products. During the first half of 1938, marketings of crops were somewhat larger than a year earlier, but this was more than offset by the marked decline in prices. And income from crops during the period was 20 percent below a year earlier. Marketings of cotton and fruit crops during the latter half of the year will be

somewhat smaller than in 1937, but marketings of wheat and other grains will be larger. Because of the reduction in prospective sales of many crops and the marked decline in prices, farm income from crops is expected to continue somewhat below a year earlier through the remainder of 1938.

Marketings of livestock and livestock products in 1938 are somewhat larger than in 1937 due largely to the increase in output of dairy products and the increased volume of hog marketings. While prices of nearly all livestock and livestock products are somewhat lower than a year earlier, this has been partly offset by the larger volume of sales.

Improvement in 1939 to vary by commodities

The improvement in farm income in 1939 is likely to be more noticeable in those commodities which enter most directly into consumption. Production of livestock and livestock products is expected to continue upward and be larger in 1939 than in 1938, but with the upward trend in consumer incomes it is likely that these larger supplies will result in more farm income than in 1938. Fruit and vegetable crops in 1939 may also be larger than in 1938, and the income from these products should be higher.

Income from the less perishable crops which can be carried over from season to season, such as grains, cotton, and tobacco will be influenced somewhat by the large carry-overs now in prospect at the end of the present crop marketing season, which may prevent the improvement in industrial activity and consumer incomes from being fully reflected in the income from these commodities.

Net income from farming

The moderate decline in prices of commodities and services used in production together with some curtailment in purchases, has enabled farmers to reduce their total farm production expenses slightly in 1938. But the decline in farmers' expenditures for farm production from 1937 to 1938 has probably been much less pronounced than the decline in farm income, and net cash income available to farm operators after deducting production expenses is considerably lower in 1938 than in 1937. In 1939, however, it is likely that the increase in total cash income from farm marketings and from Government payments will be accompanied by little change in farm production expenses from those of 1938, and the net cash income of farm operators will probably be materially higher in 1939.

COTTON

Domestic cotton prices strengthened somewhat during the 4 weeks ended November 12, with Middling 7/8 inch cotton in the 10 designated markets averaging 8.67 cents during the week of November 12 compared with 8-1/2 cents for the week ended October 15. Within the past 2 weeks domestic prices reached new highs for the current season and were slightly higher than the average price for the 1937-38 season. The recent strengthening of domestic prices is apparently due, at least in part, to the further increase in Government-financed stocks and the improved sentiment with respect to the outlook for general business conditions.

Despite a sharp (23 percent) decline in the estimated world production of commercial cotton below that of the previous season, the total world supply of cotton for the 1938-39 season of approximately 51-1/3 million bales as now estimated is slightly larger than the previous record supply of 1937-38. The sharp reduction in the United States crop and some decline in foreign production have not been enough to offset the 9-3/4 million-bale increase in the world carry-over of cotton last season.

While the estimated supplies of American and foreign grown cottons for the present season are approximately equal, the total supply of each is slightly larger than that of the previous season and much larger than the average for the past 10 years. The present season makes the sixth consecutive year in which the world supply of foreign cotton has reached a new record high. As now estimated, it is 40 percent above the 10-year average and two-thirds larger than in 1932-33. The supply of American cotton for the present season, although slightly less than the record supply of 1932-33, is nearly one-fifth larger than the 10-year average. However, with approximately 9,271,000 bales of the indicated supply of American cotton being held as collateral against Government loans on November 10, the 1938-39 supply of so-called "free" American cotton is considerably smaller than in the preceding season and much smaller than the 10-year average.

Although cotton consumption in the United States during the 12 months ended July 1939 will show a substantial increase over that of the previous season, less favorable consumption prospects in foreign countries make it seem likely that the total world consumption of cotton in 1938-39 is not likely to materially exceed the 26.4 million bales consumed last season and may be considerably smaller. A somewhat similar situation is expected with respect to the world consumption of American cotton.

In view of the outlook for cotton consumption and present estimates of production, indications are that the world carry-over of American and foreign cottons on August 1, 1939, will exceed the record high carry-overs as of August 1 this year. A 1939 cotton acreage in the United States about the same as that of 1938, with average yields, would about offset the prospective increase in the world carry-over of American cotton. Foreign acreage and production in 1939-40 may be further reduced and also about offset the prospective increase in carry-over of foreign cotton.

WHEAT

A material reduction in the United States wheat acreage seeded for harvest in 1939 is expected as a result of the adjustment program and the prevailing low prices resulting from the record production in 1938.

The acreage allotted for seeding for the 1939 wheat crop (under the Agricultural Adjustment Act of 1938) is 55 million acres. This compares with the 1928-32 average seedings of 67 million acres, and 81 million acres seeded for the 1938 crop. The extent of the participation by farmers in the acreage adjustment program is uncertain. If total wheat seedings are reduced to 55 million acres, and average yields per seeded acre are obtained, production would amount to about 660 million bushels. This would be less than the average domestic disappearance of about 680 million bushels, and would result in some reduction in carry-over at the close of the 1939-40 marketing year.

If seedings for 1939 exceed the allotment of 55 million acres to any considerable extent, and average yields are obtained, an increase in the already large United States carry-over appears unavoidable. This assumes annual exports of about 100 million bushels. Moreover, the wheat acreage in the rest of the world is not likely to be decreased, and even with a reduction to 55 million acres in the United States, average yields would produce a world crop nearly equal to the annual world consumption.

Unless there should be a greater improvement in economic conditions or in the general price level than is at present indicated, domestic wheat prices in 1939-40 are expected to continue relatively low.

World wheat production for 1938-39 is now estimated at 4,365,000,000 bushels, which is about 10 million bushels less than the estimate of a month ago but about 520 million bushels more than the 1937-38 harvest. With world stocks on July 1 estimated at 595 million bushels, which is about 75 million bushels more than a year earlier, total supplies are about 4,960,000,000 bushels, or 595 million greater than a year ago. (These estimates exclude Soviet Russia and China.)

Current wheat prices in the United States, while somewhat weaker than in mid-October, did not decline as much as prices at Liverpool, largely as a result of United States Government purchases, dryness in the winter wheat belt, and further improvement in domestic business conditions. Liverpool prices weakened as the result of heavy offerings and continued favorable Argentine crop prospects, which more than offset poorer prospects in Australia. Wheat prices are expected to continue to depend largely upon changes in crop prospects in Argentina and Australia, progress of the United States winter wheat crop, and general business conditions.

RICE

Supplies of United States rice for the 1938-39 season probably will exceed last year's record supplies and again provide a large surplus over prospective domestic needs, probable shipments to insular possessions and exports. Good yields on the large southern acreage resulted in a near record crop in the Southern Rice Area. California production was the largest on record, and with a large carry-over of old rice 1938-39 United States supplies will exceed those of any other year.

Demand for United States rice during 1938-39 will not likely equal that of 1937-38. Domestic consumption probably will not differ greatly from that of the previous season unless purchases by governmental agencies are materially increased. There are no indications that shipments to insular possessions will exceed the relatively large movement of 1937-38. Exports will probably drop below those of the previous season since about two-thirds of the 1937-38 exports went to Cuba under special tariff concessions which are not in effect this season. Competition from Brazilian and Asiatic rices is likely to be keener in Cuba and other foreign markets as a result of increased supplies of foreign rice and war-disrupted trade in the Orient.

With somewhat smaller total utilization of American rice indicated for 1938-39, heavy stocks will again probably remain for carry-over into the 1939-40 season. The large supplies in relation to prospective demand brought about a materially lower level of prices for the 1938 crop. And, unless modified by a smaller production in 1939, the low prices will likely continue into the next crop year.

Prices received by Southern producers for rice have strengthened somewhat since the low September level. Prices in California, on the other hand, have declined with the harvesting of the 1938 crop. On October 15 the average price received for rice in Louisiana was 61 cents per bushel compared with 66 cents on that date last year, and the average price in California was 54 cents compared with 63 cents a year earlier. Prospects for the 1938 crop were practically unchanged during October. The November 1 estimate of production was 53.9 million bushels, or slightly larger than last year's crop and more than 11 million bushels above the 1927-36 average. Exports of rice during August and September totaled about 52 million pounds, which, with the exception of last year, was the largest for these months in more than 15 years. Shipments to insular possessions totaled about 27 million pounds compared with 33 million last year.

CORN AND OTHER FEED GRAINS

As a result of an unusually favorable growing season throughout the greater part of the country and an unusually large supply of feed grains and hay carried over from last year, the total supply of all feeds will again be large for the winter and spring feeding season.

After taking into account the disappearance of oats and barley during the 3 months July-September, 1938, the supply of corn, oats, barley and grain sorghums on farms October 1 was estimated at about 101 million tons, compared with 97 million tons on October 1 last year. This was the largest October 1 supply since 1932. The total hay supply for 1938-39 is the largest since 1927. The number of grain consuming animal units on January 1, 1939, is expected to be about 8 percent below the average for the years 1928-32. The supply of feed grains per animal unit, therefore, will again be well above average, and about the same as last year. The supply of hay per animal unit will be the second largest in 30 years. Large supplies and relatively low prices of feed grains are expected to encourage continued liberal feeding of livestock, and further increases in the production of all kinds of meat animals - especially of hogs and fat cattle - and of dairy and poultry products. With a larger livestock population, utilization of feed grains will be somewhat greater in 1938-39 than in 1937-38, which will probably more than offset the larger supplies. Carry-overs into the 1939-40 marketing year, however, are expected to be large, though perhaps somewhat smaller than they were this year.

The general level of feed grain prices in the present marketing year may average somewhat below that of 1937-38. While the effects of the loan rate on corn and the expected improvement in the business situation may cause feed grain prices to advance from the present low level, these advances will probably be insufficient to bring the yearly average of all feed grain prices up to the average for 1937-38. Livestock feed price ratios may be expected to

continue favorable for livestock producers, at least until the approach of the 1939 harvesting season, and perhaps longer, if feed grain production is again near average in 1939.

The preliminary estimate of the 1938 corn crop, released November 10, was 2,481,000,000 bushels, which is above the normal domestic consumption and exports as designated by the 1938 Agricultural Adjustment Act. The loan rate was announced to be 57 cents per bushel to eligible producers in the commercial corn producing area. The loan rate for eligible producers in the non-commercial producing area is 43 cents per bushel. Cash prices of corn, oats, and barley all declined slightly from October 15 to early November.

HOGS

Slaughter supplies of hogs in the 1938-39 marketing year, which began October 1, will be materially larger than in 1937-38. Slaughter will be larger than in any year since 1933-34, but will be approximately 15 percent smaller than the average of the 10 years prior to the 1934 drought. Average weights of hogs marketed will continue relatively heavy.

Domestic demand for hog products, including both consumer and storage demand, probably will be more favorable than in 1937-38; also, the foreign demand for hog products may be a little stronger. But the effects of the stronger demand upon hog prices probably will only partially offset the effects of the larger supplies. The spread between prices of light and heavy hogs may be relatively wide in the coming winter, as it was a year earlier.

The 1938 pig crop - spring and fall crops combined - is about 12 percent larger than that of 1937. With feed supplies for 1938-39 large in relation to livestock numbers and the hog-corn price ratio continuing high, a further increase is expected in the number of pigs raised in 1939. But the increase in the pig crop next year will be limited to some extent by the fact that the corn crop is again short in Nebraska, Kansas and South Dakota. If the corn crop next year is about as large as in the present year and a good crop is harvested in the Western Corn Belt, the number of pigs raised in 1940 may increase to the pre-drought level.

Hog prices, after strengthening in September, declined during the first 3 weeks of October, but recovered part of this decline late in the month. For the week ended November 5, the average price of hogs at Chicago was about \$7.75 per 100 pounds, approximately 55 cents lower than a month earlier and about \$1.60 lower than a year earlier. Inspected hog slaughter in October, totaling 3,311,000 head, was 24 percent larger than in September and 22 percent larger than in October 1937, but was somewhat smaller than the average slaughter for October in the 5 years 1929-33. The average weight of hogs slaughtered at seven markets in October this year was 224 pounds, 10 pounds lighter than a year earlier.

BEEF CATTLE

Total slaughter of both cattle and calves in 1939 is expected to be smaller than in 1938. The reduction will be mostly in calves and breeding stock. Steer slaughter probably will show little change.

In view of the large supplies and relatively low prices of feed, some increase in cattle feeding is anticipated. The relatively strong demand for cattle for restocking and herd expansion, and the smaller number of feeder animals generally available, will tend, however, to prevent any large increase in the number of cattle fed. Average weights of cattle slaughtered in 1939 are expected to be heavier and the general finish higher than in the present year, but total beef supplies for consumption probably will be somewhat smaller.

With industrial activity and consumer buying power increasing, the demand for meats in 1939 is expected to be somewhat stronger than in 1938. This improvement in consumer demand and the reduction in cattle slaughter will be price strengthening factors. On the other hand, larger supplies of hogs will be a price-depressing factor. With somewhat larger market supplies of grain-fed cattle in 1939 than in 1938, and smaller marketings of cows and heifers, the spread between prices of the upper and lower grades of slaughter cattle probably will be relatively narrow. Prices of slaughter cows, particularly, are likely to be maintained at a fairly high level relative to prices of other kinds of slaughter cattle.

Cattle numbers at the beginning of 1939 probably will be slightly larger than a year earlier. This increase is expected to be the first phase of a new cattle production cycle which, barring the recurrence of serious droughts, is expected to continue for several years.

Although October cattle slaughter usually is the largest for all months, the number of cattle slaughtered under Federal inspection in October this year, totaling 384,000 head, was 4 percent smaller than in September and 8 percent smaller than in October 1937. But for the first 10 months of 1938 inspected cattle slaughter totaled only 2 percent less than a year earlier. Prices of the better grades of slaughter cattle in October and early November were well maintained near the seasonally high levels reached in the early fall. And prices of the lower grades, which declined seasonally from mid-July to early October, showed a tendency to strengthen in late October and early November. Prices of all grades of slaughter steers in early November were still considerably below those of the corresponding period in 1937. Prices of slaughter cows, however, averaged about as high as a year earlier.

LAMBS

The long-time outlook is for the trend in sheep numbers in the United States to be upward during the next few years. This probable expansion is likely to be reflected in increased production of wool. But the size of the lamb crop is affected to a considerable extent by feed supplies and weather conditions during the lambing season. Last spring weather and feed conditions in all of the principal lambing areas were unusually favorable. And the 1938 lamb crop may not be equalled for several years, even though sheep numbers increase.

This year's lamb crop was 5 percent larger than that of 1937 and was the largest on record. This increase in the number of lambs produced already has been reflected in larger marketings of lambs in the present marketing year. Marketings during the remainder of the year, to May 1, 1939, will depend partly upon the number of lambs fed this fall and winter and also upon the number of 1938 lambs carried over for marketing in the late spring and summer of next year.

Some improvement in consumer demand for meats and in wool prices is expected during the coming year. The change from a year earlier in the total supply of sheep and lambs for the 1938-39 fed-lamb marketing season (December-April) is still uncertain, but it does not seem probable that any increase in supplies that may occur would be sufficiently large to offset the effects of the improvement in demand. Consequently, prices of fed lambs in the coming marketing season may average higher than a year earlier.

Prices of slaughter lambs, after declining seasonally during the summer months, advanced slightly in late September and early October and fairly sharply in late October and early November. For the week ended November 5, prices of good and choice slaughter lambs at Chicago averaged about \$8.60 per 100 pounds, nearly 50 cents higher than a month earlier, although still about \$1.50 lower than a year earlier. Prices of slaughter lambs declined sharply from November through January last year, contrary to the usual seasonal trend.

Receipts of sheep and lambs continued seasonally large through mid-October this year, but dropped sharply later in the month. Inspected slaughter of sheep and lambs in October, totaling 1,638,000 head, was 3 percent smaller than a month earlier, but was 7 percent larger than in October 1937.

WOOL

Domestic mill consumption of wool has increased considerably from the low level of last spring and domestic wool prices have risen moderately since June. In the first half of 1938 the spread between domestic and foreign prices was considerably less than the tariff and imports of wool into the United States were very small. But with the recent rise in domestic prices the spread has widened and is now not much less than the tariff.

With stocks of manufactured goods remaining relatively small and with prospects for an improvement in consumer demand next year, mill consumption of wool in 1939 may exceed that of 1938. This would be a supporting influence to domestic wool prices. But unless there is some rise in foreign prices, advances in domestic prices of wool in the coming year will be limited.

Stocks of wool in the United States are larger than a year earlier. During the remaining months of the 1938 domestic marketing season (to April 1, 1939), mill consumption of wool is likely to be considerably larger than in the same months last year. If imports remain small, as now appears likely, such an increase in consumption probably will result in smaller stocks of wool in the United States on April 1, 1939, than at the beginning of the current year.

Stocks of wool in most foreign countries except Japan apparently are somewhat larger than a year earlier. Supplies of wool from the Southern Hemisphere in 1938-39 are expected to be slightly larger than those of 1937-38 but about the same as average supplies for the 5 years 1932-33 to 1936-37. A prospective decline in wool production in the Southern Hemisphere in 1938-39 is more than offset by the larger carry-over into the current season.

The weekly rate of mill consumption of apparel wool in the United States in September was 15 percent lower than in August, but with the exception of August was higher than in any other month since August 1937. Consumption on a grease basis in the first 9 months of 1938 was 27 percent smaller than in the same months last year.

Increased trading in the Boston wool market in October was accompanied by price advances of 1 to 2 cents per grease pound on most grades of wool. Average prices for combing territory wools at Boston in October were about 10 percent above the low point in June, but were about 25 percent lower than a year earlier.

Wool prices advanced in Southern Hemisphere selling centers in October.

BUTTER

Butter prices have continued stable, mainly because of the operations of the Dairy Products Marketing Association and the Federal Surplus Commodities Corporation. There is usually a marked seasonal rise in prices from late summer to early December. Up to mid-November of this year there had been no rise in prices. The improvement in the market situation has resulted in less need for price support, and a marked decline in the volume of purchases by governmental agencies has occurred.

Butter production in September was 17 percent larger than a year earlier and 4 percent above the preceding peak for the month. Production will probably continue relatively large during the winter months.

In contrast with the marked increase in production, apparent consumption of butter in September was 2 percent less than a year earlier. If the butter distributed for relief is deducted the trade output through regular commercial channels in September was 4 percent less than in September 1937. This change in trade output, together with the 19 percent decline in retail prices of butter, indicate that consumer expenditures for butter in September were 23 percent less than a year earlier and the lowest for the month since 1934. It is probable that consumer expenditures for butter during the remainder of 1938 will continue decidedly less than in 1937.

The Federal Surplus Commodities Corporation has been authorized to purchase 90 million pounds of butter for relief distribution during the year ending June 30, 1939. Up to November 5, about 12,700,000 pounds had been purchased on the open market and about 11,300,000 pounds had been purchased from the Dairy Products Marketing Association, making a total of about 24,500,000 pounds acquired under this authorization.

Stocks of butter are high and the outlook is for relatively large production. Thus, total supplies for the coming winter will be decidedly above average.

POULTRY AND EGGS

The poultry, egg, and turkey outlook for 1939 includes the following prospects:

The feed-egg ratio is expected to remain at relatively favorable levels, from the poultry producer's viewpoint, at least until prospects for 1939 feed crops are fairly definite. Hatchings during 1939, therefore, may be still larger than the relatively large hatch of 1938, and probably as large as in any former year.

Poultry marketings in 1939 are likely to exceed those of 1938 this year - during the first half because of the heavy 1938 hatch (marketings at New York for October were one-fifth larger than the October 1925-34 average); and during the last half because of the expected further increase in the 1939 hatch.

Production of broilers this fall and winter probably will be heavier than during the past season. For this reason the situation is likely to be less favorable to producers.

Poultry storage stocks in early 1939 will be larger than in 1938, and the into-storage movement of poultry in late 1939 is expected to exceed that of 1938 because of the heavier marketings. Present into-storage movement is larger than usual.

Turkey production during 1938 is to be estimated slightly greater than in 1937. The turkey situation this fall, however, probably will be about as favorable to producers as in 1937. This will probably mean a further increase in turkey production next year. The farm price in October was approximately the same as that for October last year.

The chicken marketing situation apparently will be less favorable this fall than last year, because of the larger marketings. By the spring of 1939 advances in consumer incomes will help to offset the effect of the expected larger marketings. The situation in the fall of 1939, with the expected heavier marketings, will depend largely on the level of consumer demand.

Laying flock size in 1939 is expected to be about 10 percent larger than during 1938; on November 1, laying hens in farm flocks was 5 percent larger than on the same date last year. Total egg production evidently will be greater than in 1938 because of increasing numbers of layers and a favorable feed-egg ratio. Egg marketings in 1939, therefore, probably will be heavier than in 1938. Egg storage stocks accumulated during 1939 apparently will be larger than in 1938.

The egg situation probably will remain favorable to producers for the remainder of 1938 because of the present low storage holdings and rising consumer incomes. During the first half of 1939 the egg situation also is expected to remain favorable to producers because of the feed situation and the effects on storage operations of favorable outcome of the 1938 storage deal. The situation for the last half of 1939 is likely to be less favorable than in 1938.

The less than usual advance in egg prices for October over September of this year may be attributed partly to increased marketings and decreased consumption because of mild weather.

FRUIT

The average production of all fruits during the next 5 years (1939-43) probably will be larger than the average for the past 5 years (1934-38).

Significant increases are expected in the production of citrus - grapefruit, oranges, and lemons. More moderate increases are in prospect for pears, peaches, and plums and prunes. The bearing acreage of grapes is sufficient to at least maintain production on the present high level. The trend of apple production probably will be downward at a moderate rate. Material changes in the production trends of other fruits are not expected.

Total volume of production during the past five seasons, 1934-38, was about one-third larger than that of the 5-year period 1919-23. The larger part of this increase occurred in the years between 1919 and 1928. The trend during the past decade has been moderately upward. During this period downward trends in apple and peach production have been more than offset by increases in grapefruit, oranges, lemons, plums and prunes, pears, apricots and cherries.

Variations in prices received by producers for all fruits combined are associated rather closely with variations in the two factors, production and consumer income. During the decade prior to 1930, variations in consumer income were relatively minor, and most of the variation in fruit prices in this period was caused by the rather marked changes from year to year in fruit supplies. Since 1930, however, there have been large changes from year to year in consumer income, and it appears that the influence of this factor on fruit prices in recent years has been of even more importance than variation in supplies of fruit. These two factors will continue to be of primary importance in causing changes from season to season in fruit prices, their relative importance during the next few years depending upon the amount of variation in each.

Increasing competition for United States fruits may be expected in foreign markets during the next 5 years. This appears probable because the trend of fruit production is upward in most countries. Many European importing countries are taking steps to insure larger production of deciduous fruits and to improve the quality of the crops. While some modification and reduction of trade barriers has been achieved through trade agreements concluded within the last 3 or 4 years, there are as yet no agreements in effect with many of the countries providing the largest export outlet for our fruit.

POTATOES

The late potato crop continued to deteriorate during October, and as of November 1 the crop was estimated at 283,479,000 bushels (excluding the California early crop) or about 5 million bushels less than the estimate of a month earlier and about 16 million bushels less than the 1927-36 average for the late crop. Prospects declined slightly both in the eastern and central late groups of States, with practically no change in the far western group. Since November 1 a severe freeze occurred in Idaho and caused considerable damage to a relatively small portion of the crop in that area which had not been harvested.

The decline in the crop prospect together with improvement in consumer purchasing power has resulted in slightly advancing market prices in recent weeks. Prices in Idaho shipping areas have advanced sharply since the freeze and there is a tendency for prices to strengthen in other areas.

Carlot shipments of potatoes from the late States have been at a relatively low rate in recent weeks and indicate that the rail movement prior to January 1 will total only about 60,000 cars as compared with 76,000 cars to the same date last season. This does not mean that marketings have been retarded but that an increasing proportion of the crop is being shipped by motor truck. Part of this shift this season is due to the distribution of the crop and part to a long time upward trend in the motor-truck movement.

TRUCK CROPS

The acreage of 12 commercial truck crops reported for the fall and winter season of 1938-39 shows an increase of 3 percent over last year and 7 percent over the 10-year average, 1927-36. Smaller acreages of carrots, cauliflower, celery, cucumbers, kale, and tomatoes are more than offset by larger acreages of snap beans, eggplant, lettuce, and peppers. The acreage of fall spinach is the same as a year earlier and the intended acreage of Bermuda onions is 1 percent smaller than the harvested acreage in 1938.

Production indications point to a fall crop of snap beans 56 percent larger than last fall, an increase of 38 percent in the production of eggplant, 27 percent in peppers, 9 percent in tomatoes and 8 percent in cucumbers. Offsetting these increases are decreases in the production of kale of 46 percent, cauliflower 18 percent, celery 14 percent, spinach 10 percent and carrots 6 percent. By and large, the total supply of all vegetables for market this fall and winter is expected to be slightly larger than a year earlier.

Business statistics relating to the demand for farm products, specified periods

Year and month	: Nation- : al : income	: Nonagri- : cultural : income	: 1/ : 2/ : 3/ : 4/ : 5/ : 6/ : 7/ : 8/ : 9/ : 10/ : 11/ : 12/	: Build- : ing : con- : tracts : awarded	: 3/ : 3/ : 3/ : 4/ : 5/ : 6/ : 7/ : 8/ : 9/ : 10/ : 11/ : 12/	: Income: : Factory: : employ- : ment	: 2/ : 2/ : 2/ : 3/ : 4/ : 5/ : 6/ : 7/ : 8/ : 9/ : 10/ : 11/ : 12/	: Foreign: : indus- : trial : pro- : duction	: Retail: : food : prices	: Prices: : re- : ceived : by : farmers	: Ratio of : prices : paid : received : to : prices
Base	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1923-25	1923-25	1910-14	1910-14	1910-14
1929 :	100	108	119	117	106	107	136	139	166	146	153
1930 :	93	101	96	92	92	83	124	126	158	126	145
1931 :	80	88	81	63	78	67	111	107	130	87	124
1932 :	63	69	64	28	66	46	97	95	108	65	107
1933 :	59	64	76	25	73	49	107	96	105	70	103
1934 :	66	73	79	32	86	61	116	109	117	90	123
1935 :	71	78	90	37	91	69	124	117	127	108	125
1936 :	82	90	105	55	98	80	132	118	130	114	124
1937 :	88	96	110	59	106	94	144	126	135	121	130
1937- July :	89	98	114	67	103	99	142	120	136	125	133
Aug. :	90	98	117	62	109	99	142	128	135	123	132
Sept. :	89	97	111	56	109	95	146	128	136	118	130
Oct. :	88	96	102	52	107	94	148	125	135	112	128
Nov. :	86	95	88	56	101	87	148	122	132	107	127
Dec. :	86	98	84	61	94	80	145	119	131	104	126
1938- Jan. :	84	91	80	52	88	74	141	118	127	102	126
Feb. :	83	90	79	51	88	72	142	116	124	97	126
Mar. :	83	90	79	46	88	71	142	116	125	96	125
Apr. :	81	90	77	52	86	69	140	115	126	94	125
May :	80	88	76	51	83	63	141	114	125	92	125
June :	81	87	77	54	82	67	141	114	127	92	124
July :	81	88	83	59	82	69	135	115	127	95	123
Aug. 11/	82	89	88	66	86	72	136	114	124	92	122
Sept. 11/	83	90	90	76	89	74		114	125	95	121
Oct. 11/								114	124	95	121

See notes on page 20.

Continued -

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (monthly adjusted for seasonal variation). Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1938.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November, 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics 1910-14 = 100.
- 11/ Preliminary.